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| Article | Saudi Arabia-Sudan: Terms of Endearment  | 1                          |
| •       | Some articles are preliminary views of a subject or spec   | rulative, but the contents |
|         | normally will be coordinated as appropriate with other of Occasionally an article will represent the views of a sing will be designated as noncoordinated views. | offices within CIA.        |
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| Near East and South Asia Review  |   | 25 <b>X</b> 1        |
| Article  |   |                      |
| Saudi Arabia-Sudan:<br>Terms of Endearment   | · · · · · · · · · · · · · · · · · · ·   | 25X1                 |
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| Saudi Arabia is moving to establish closer ties to<br>Sudan and strengthen the fledgling regime of<br>Sudanese Prime Minister Sadiq al-Mahdi. Riyadh's<br>decision to give substantial financial and security<br>assistance to Khartoum follows several high-level<br>exchanges between Saudi and Sudanese officials last  | An Evolving Relationship  After waiting more than a year for the political environment in Sudan to stabilize and after carefully assessing the viability of the civilian government, Riyadh is now committed to supporting the Sadiq regime, in our judgment. | 25X1                 |
| summer, culminating in Prime Minister Sadiq's successful meeting with King Fahd in October. The Saudis hope the new aid will buttress the Sadiq regime and enable Khartoum to address its massive economic and security problems. Riyadh probably will use its new leverage to discourage Sudanese efforts to improve relations with radical regimes in the region and the USSR. | regime, in our judgment.  |                      |
| A Guarded Approach In the wake of the coup that deposed Sudanese President Nimeiri in April 1985, a cautious Riyadh gave limited support to the transitional military government. According to US Embassy and press reporting, the Saudis quickly provided Khartoum with \$50 million in cash and a three-month  | Foreign Minister Prince Sa'ud told US Embassy officials in June that the Sadiq government had strong public support but lacked experience and resources. According to Sa'ud, Riyadh was prepared to give Sadiq time and support to address the country's      | 25X1<br>25X1         |
| supply of oil. Riyadh, however, was reluctant to do more until the Sudanese domestic situation quieted and was wary of Khartoum's efforts to improve relations with Libya, Iran, and the USSR at the   | we believe the meeting in early October between   | 25 <b>X</b> 1        |
| expense of Sudan's traditional allies, including Saudi Arabia, Egypt, and the United States.  Saudi Arabia, like many of Sudan's donors, has been repeatedly disappointed with Khartoum's inability to halt the country's economic decline. Despite nearly \$2 billion in Saudi financial aid since 1980, Sudan's economic problems appeared intractable and caused              | Prime Minister Sadiq and King Fahd in Jiddah helped ease Saudi concerns about Sudanese foreign policy goals.  | 25X1<br>25X1<br>25X1 |
| Riyadh to become increasingly reluctant to provide additional aid. Moreover, many Saudi officials apparently believe that Sudan has squandered previous aid.   |   | 25X1                 |
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# The Billion Dollar Question

Since the first press stories surfaced last September, there has been considerable speculation—and confusion—over the provision of new large-scale Saudi economic assistance to Sudan. According to the Sudanese press and the US Embassy in Khartoum, Saudi Arabia was to provide Khartoum with a \$1 billion a year aid package for a period of up to three years. The agreement calls for \$300 million in cash and \$700 million in imports, including oil, fertilizer, and manufactured goods. Sudan, in turn, would export surplus agricultural products—corn, sorghum, and livestock—to Saudi Arabia.

Although Sudanese and Saudi officials are engaged in negotiations concerning trade and balance-of-payments support, no agreements have been reached. Moreover, Riyadh has characterized the reports that it will give Sudan \$1 billion in economic assistance next year as "completely baseless." The Sudanese, however, continue to believe that large-scale Saudi financial aid will eventually be forthcoming, according to Embassy reporting. Nonetheless, we do not believe that Saudi Arabia—facing its own domestic economic pressures—will provide the large levels of financial assistance that Sudan desperately desires.

|   | the                         |
|---|-----------------------------|
| Saudis learned that Sadiq during his trip to Moscow i | n August and that the visit |
| was considered a failure, a reports.                  | ccording to Embassy         |

## Saudi Objectives

Riyadh's desire to support the Sudanese Government reflects the Saudi belief that an unstable regime in Khartoum poses an important—although indirect—strategic threat to Saudi Arabia's security. Through closer political, economic, and security ties to the Sadiq government, we believe the Saudis hope to:

- Ensure a moderate and stable regime in Khartoum.
- Discourage Sudanese rapprochement with Libya and Ethiopia.

| • | Enhance regional stability and reduce opportunities |
|---|---|
|   | for external meddling by helping to end the         |
|   | southern insurgency.                                |

| • | Prevent | Moscow | from | increasing | its | influence | in |
|---|---------|--------|------|------------|-----|-----------|----|
|   | Sudan.  |        |      |            |     |           |    |

### Riyadh's Tactics

Economic Assistance. Riyadh has moved in the past six months to shore up the battered Sudanese economy. According to Embassy and press reporting, Sudanese Ministry of Finance officials have made several trips to Saudi Arabia in the past few months to discuss trade and economic issues.

|        | Riyadh has been donating food and                 |                 |              |  |  |  |
|--------|---|-----------------|--------------|--|--|--|
| medic  | nedical supplies to support a Saudi-sponsored Red |                 |              |  |  |  |
| Cresco | ent relief operation                              | in western Suda | n since late |  |  |  |
| 1985.  | -   |                 |              |  |  |  |
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| We estimate Saudi financial assistance in 1  | 986 will |
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| total about \$300 million, nearly double the | \$165    |
| million given in 1985.                       |          |

Military and Security Aid. The Saudis see Sudan's southern insurgency as the most serious security threat facing the Khartoum government, according to US officials. Riyadh is concerned that, as long as the fighting in the south continues, the conflict will provide an opportunity for Libya and the Soviet Union to undermine the stability of the fragile Sudanese regime. In addition, the war effort is diverting scarce financial resources and inhibiting the country's economic development. The Saudis have intensified their efforts to support Khartoum

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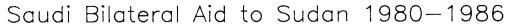
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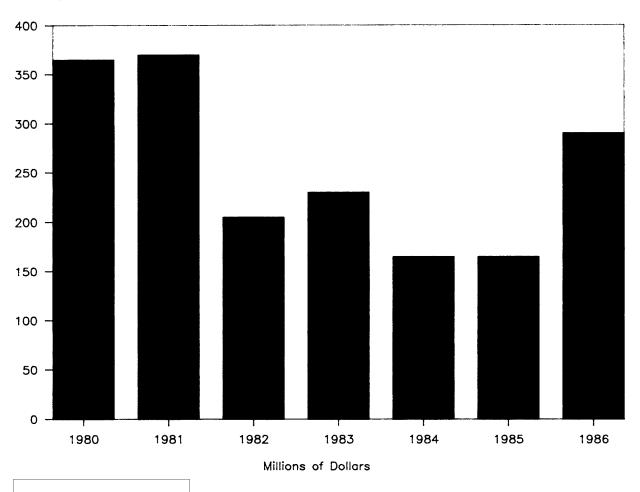
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**Top Secret** 25X1 Sudan's Southern Insurgency

The southern insurgency poses a major challenge to the survival of the Sadiq government, just as it served to undermine the Nimeiri regime. The roots of the rebellion can be found in the fundamental ethnic, linguistic, and religious divisions between the Muslim Arabs of the north—who dominate the central government—and the animists and Christians of the south, who identify with their black African heritage.

The Sudanese People's Liberation Army (SPLA) under the command of former Sudanese Army Col. John Garang is the major southern rebel group. It is backed by Ethiopia and, until Khartoum's rapprochement with Tripoli last year, had received support from Libya. The SPLA has expanded rapidly from the estimated 2,000-man force that was formed in late 1983 after southern Army units mutinied and now numbers 15,000 to 20,000 insurgents. The insurgents have become an effective fighting force that operates in all three southern provinces, launches occasional probes northward, cuts off road and rail links to the south, and controls much of the southern countryside.

In contrast, Khartoum's strategy to contain the SPLA insurgency appears inconsistent and badly managed. Despite a commitment of more than one-third of its forces to the south, the Sudanese Army has been unable to make any progress toward defeating the rebels. The 17,000 to 20,000 government troops in the south are poorly equipped and supplied, thinly deployed, and suffer from low morale. Moreover, the government has failed to make effective use of its limited air assets, and its Army lacks proper counterinsurgency training and is plagued by massive logistic problems.

| Playing the Eritrean Card. To counter Ethiopian support for the southern Sudanese insurgents, Riyadh—with Khartoum's approval—has stepped up its assistance to Eritrean rebels fighting the Ethiopian regime. |
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|   |
| Lingering Concerns  |
| Riyadh's overriding concern with Sudan remains the strategic implication of the southern insurgency,  |

according to US officials. The Saudis fear the Soviets—through their Ethiopian surrogates—will exploit the situation to destabilize the Khartoum government. Because of Soviet machinations, Riyadh is skeptical that Sadiq will succeed in his efforts to reach a reconciliation with the insurgents and the Ethiopian regime. US Government officials report that the Saudis, already facing Soviet-supported regimes in South Yemen and Ethiopia, are disturbed by the possibility of a hostile regime taking power in Sudan.

# **Prospects**

In our view, the good will created during the Fahd-Sadiq talks in October and the subsequent improvement in Saudi-Sudanese relations are likely to continue. After a brief trial period for the new regime in Khartoum, Riyadh seems fully committed to shoring up the Sadiq government. Although wary of Sudan's flirtation with Libya and Iran, Riyadh appears confident that these contacts will bear little

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| fruit and that Sudan will remain largely dependent on    |             |
| Saudi financial largess. Sudan's contacts with Tripoli   |             |
| and Tehran, however, are likely to contribute to         |             |
| periodic strains in the Saudi-Sudanese relationship.     |             |
|  |             |
| Although undoubtedly pleased with Sadiq's apparent       |             |
| willingness to tackle his country's pressing problems,   |             |
| Riyadh has serious doubts about the Sadiq                |             |
| government's ability—even with Saudi help—to             |             |
| resolve Sudan's persistent economic and security         |             |
| difficulties. Moreover, we believe that Riyadh will be   |             |
| hesitant to incur new large-scale aid commitments in     |             |
| 1987, and aid is unlikely to exceed 1986 levels. In      |             |
| addition, domestic economic pressures in Saudi           |             |
| Arabia may force Riyadh to reduce aid. Future Saudi      |             |
| economic programs will increasingly be characterized     |             |
| by less cash assistance and more direct project aid, oil |             |
| grants, and other aid in kind. Nevertheless, we judge    |             |
| Riyadh will remain Sudan's primary source of             |             |
| economic and security assistance at least through        |             |
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